Chapter IV:

ECONOMY

ADOPTED
AUGUST 4, 2009

Chapter IV:
ECONOMY

Characteristics

The prevailing economic conditions within Smithfield and the surrounding region of influence will shape the development opportunities and constraints facing future growth in the Town. Gaining a thorough understanding of the existing marketplace is another important component in developing a comprehensive and implementable land use plan that will successfully guide future growth in the Town. To that end, this section provides an analysis of past trends in economic growth, employment and retail sales. As the largest urban center in Isle of Wight County, Smithfield serves as the major economic hub for the surrounding area. Its main economic functions are twofold: it provides area residents with numerous job opportunities and it serves as the center for commercial activity in the northern half of the County.

The Town of Smithfield has historically functioned as a regional employment center due largely to the major local presence of the meat packing/meat processing industry. This still holds true today, as three of the four largest employers in Smithfield continue to operate within this industry. As the major trade center for the northern portion of the County, the Town also provides numerous employment opportunities in the service and wholesale/retail trade sectors. Many residents of Smithfield and the surrounding rural areas rely on local merchants for their basic staple goods. The Town is also the principle site for medical, professional and legal services in the area. In addition, the Town has a significant number of food and specialty retail establishments that are convenient for residents of both the Town and the northern end of the County, as well as for visitors from throughout the region.

From an economic market analysis perspective, the Town of Smithfield is situated within a unique geographical trade area which circumscribes components of its primary, secondary and tertiary competitive marketplace. Within this context, the County of Isle of Wight represents the primary market area for Town residents and those living in the northern half of Isle of Wight County. While Smithfield is located within the periphery of the expansive Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA), it is aligned more specifically within the marketplace defined by the cities of Newport News, Chesapeake, Hampton and Suffolk. These four localities combine with Isle of Wight County to form a larger “region of influence” or “regional trade area.” This region of influence incorporates the primary, secondary and tertiary markets into one larger market model used to describe existing regional shopping patterns.

While boundaries of the various trade areas are typically defined in terms of driving time from the central shopping area, they are extremely fluid due to the fact that consumers are often willing to travel farther for specialty items or to shop at a particular retail establishment where a greater variety is available and a strong sense of customer loyalty and/or preferences have been established. Consumers are also usually willing to make several shopping trips to compare items before purchasing "shopper's goods," which include durable items representing more expensive purchases. On the other hand, customers seek convenience and staple goods almost exclusively at the most accessible locations. Following this theory, residents of the primary marketplace (Isle of Wight County) rely most heavily on the Town of Smithfield for convenience and staple goods and often travel to one or more of the four adjacent urban areas in the region of influence to shop for specialty or "big ticket" items in order to take advantage of the greater variety and price competition offered in these larger shopping environments. An acknowledgement of this regional shopping alignment is necessary in order to properly analyze both the demographic and the economic trends exhibited in the Smithfield region. While slightly more geographically remote, the influence of the residents of Franklin, Williamsburg and Surry County should not be ignored either. For the purposes of simplicity, the Comprehensive Plan's economic analysis will focus on the growth trends reflected in the identified region of influence. However, the influence of these outlying localities, especially that of Williamsburg, on regional shopping patterns is significant and will necessarily be factored into the future development equation.

Economic Growth

The Town of Smithfield has exhibited steady economic growth in recent years. One of the best indicators of change in a local economy is employment. Town-specific information provided by the Virginia Employment Commission is limited; therefore, Isle of Wight County figures will be used to track recent employment trends in the Smithfield area. It is assumed that such an analysis will serve as an accurate and relevant description of the Town's employment market since the Town serves as the chief employment center for Isle of Wight County. As suggested in Table IV-1 on the following page, the County has added a significant number of jobs since the last Comprehensive Plan was adopted. In fact, employment in the County expanded by 5.6 percent from 2001 to 2006 (the most recent year for which data is provided by the Virginia Employment Commission). This rate of growth is competitive among the other localities in the region of influence and the overall regional planning district.

Job growth has been particularly strong in the local and State government, construction, manufacturing and service sectors. Each of these industries have experienced employment growth exceeding 30% since 2001, with the state government sector leading the way with an increase of over 109.5%. The local manufacturing industry has remained strong, as indicated by the net gain of over 179 new jobs since 2001. These increases offset significant employment losses in the wholesale trade, and information sectors. Both of these industry groupings suffered decreases in employment exceeding 17% since 2001, with the wholesale trade sector losing over a thousand jobs during this decade.

Smithfield Employment

As is reinforced by the analysis of the most recent data available for the employment composition of the County, (reported for the Second Quarter of 2008 as described in Table IV-2 on the following page), Smithfield has maintained its stature as a major economic hub within the region of influence. This data, as reported by the Virginia Employment Commission, lists the number of employees by industry group for establishments which are covered by the Virginia Unemployment Compensation Act. Each firm's employment, as reported to the VEC, is classified in "sectors" according to the major type of economic activity in which it is engaged.

Exhibits on the following pages present average employment, wage data and new hires made by major industry/employment groups for Isle of Wight County. Once again, in the absence of Town-specific information, it is assumed that the County figures effectively describe the Smithfield employment environment since the Town is home to the vast majority of employers located within Isle of Wight County. To maintain the confidential nature of the data submitted by employers, data for industry groups have not been shown separately where there are (1) fewer than three reporting units or (2) one or two firms combine to constitute 80 percent or more of total employment in the industry. These omissions are denoted by a "D" in the tables. However, data omitted from single sectors are included in the "bottom line" totals for all industries.

As illustrated in these exhibits, residents of Smithfield and Isle of Wight County rely heavily on the manufacturing sector as the major source of employment. In 2006, 30% of all jobs in the County were in manufacturing. This is down from over 58.6% from slightly over a decade ago, however. Employment in government and government enterprises is the second leading source of employment for residents constituting 9.8% of the total employment. Employment in the retail trade sector trails only slightly, accounting for 9.5% of all jobs in the Couinty. Between 2001 and 2006, employment in the County has gained steadily.

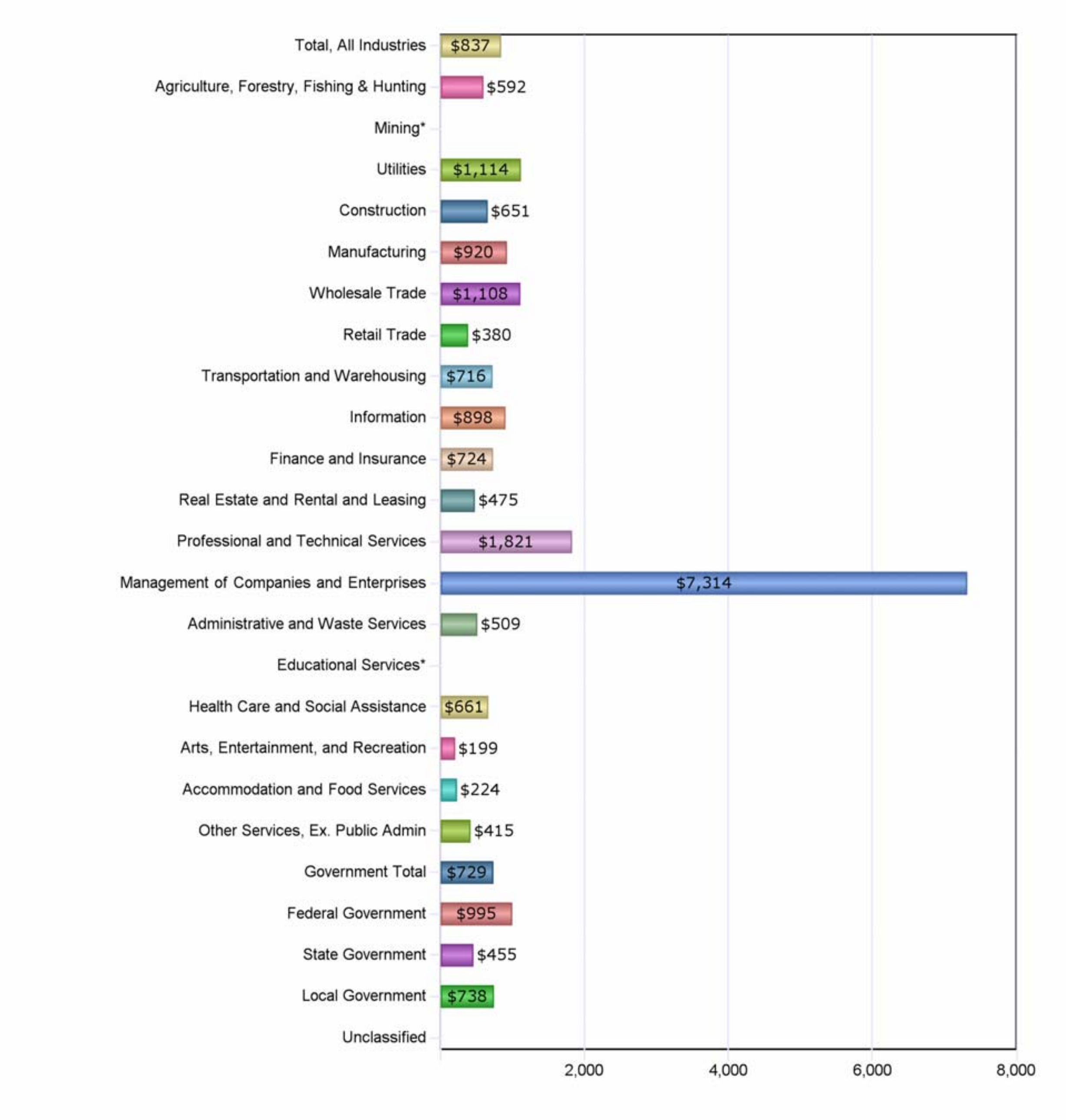

Table IV-2: Average Weekly Wage by Industry

Note: Asterisk (*) indicates non-disclosable data.
Source: Virginia Employment Commission
Quarterly Census of Employment and Wages, 2nd Quarter (April, May, June) 2008

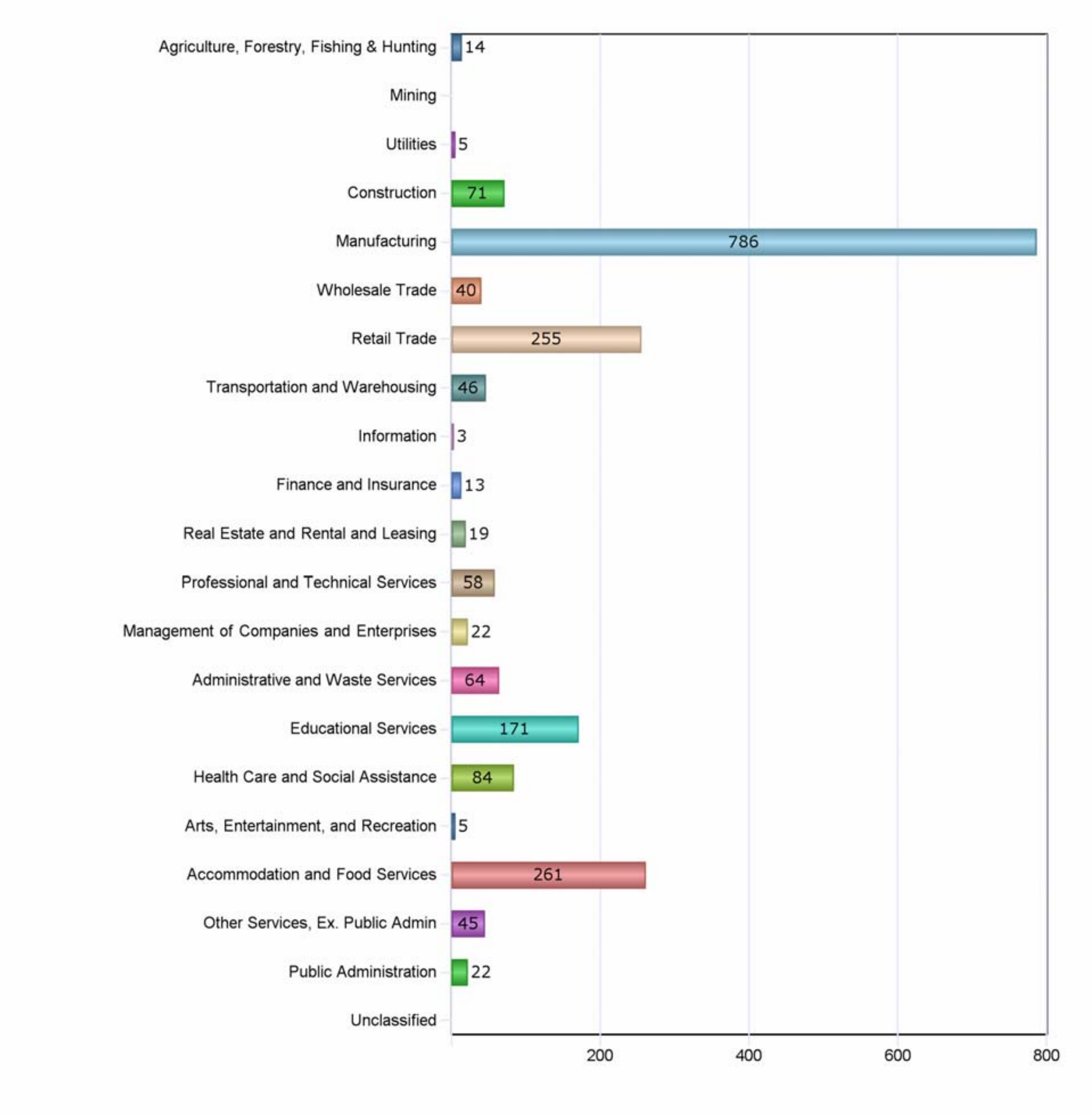

Table IV-4: New Hires by Industry
Source: U.S. Census Bureau, Local Employment Dynamics (LED) Program,
4th Quarter (October, November, December) 2007, all ownerships

The employment and wage data reveal a local economy heavily dependent on a single industry: meat production and packaging. Economic case history shows that difficulties often arise from similarly constructed local economies when that industry falls victim to cycles in the economy and is forced to reduce its output or ceases operations altogether. If this were to occur, a locality with a diversified economy could rely on the strength of the other sectors to absorb displaced workers. Smithfield, by relying so heavily upon one industry sector, is positioned for severe economic challenges should a sudden change occur in the strength of that sector. Fortunately, the meat processing industry has remained strong over the past decade as demand for meat products has been steady. The outlook continues to be bright for this industry in the short term. Adding the corporate headquarters of the Smithfield Foods operation to the Town has been a boon. Future economic development efforts in the Town should be aimed at further strengthening those employment sectors which are currently relatively weaker in order to diversify its economy. For instance, employment in the Finance, Insurance and Real Estate sector supports one of the highest weekly wage, yet accounts for only 2.7% of the total employment base. Opportunities exist to attract more white-collar professionals by building upon Smithfield Foods' decision to locate its corporate offices in the Town, thereby increasing this sector's share of overall employment in the area. The Transportation, Information and Utilities sectors, while growing at a rapid pace nationwide, constitute only 4% of the overall employment in Isle of Wight County. Strengthening these sectors, particularly by attracting new high tech industry, has the potential to bring better paying, higher skilled jobs to Smithfield, and will significantly impact other sectors of the economy which are becoming increasingly dependent on high-tech service.

Niche opportunities exist to import technological innovations, especially those in the communications industry into the local economy in order to bring it into the 21st Century. Advances in this industry would promote economic linkages into other sectors of the economy, and as the economy continues to grow stronger and more diverse, the demand for services in the Financial, Insurance and Real Estate sectors will increase, thereby providing more professional employment opportunities in the area.

Unemployment

Unemployment in the County has mimicked the rates reflected in the overall Commonwealth in recent years. The County's rate is right in line with State-wide averages of 2.9%, and has been decreasing during the most recent economic cycle. At 2.9% in 2007, unemployment is significantly lower in the County than the national average of 4.6%.

Table IV-5
Trends in Unemployment Rates
Comparing Isle of Wight County, Commonwealth of Virginia, and U.S.
1997-2007

	Isle of Wight County	Virginia	United States
1997	4.2%	3.7%	4.9%
1998	3.1%	2.8%	4.5%
1999	2.6%	2.7%	4.2%
2000	2.2%	2.3%	4.0%
2001	2.7%	3.2%	4.7%
2002	3.5%	4.2%	5.8%
2003	3.6%	4.1%	6.0%
2004	3.4%	3.7%	5.5%
2005	3.6%	3.5%	5.1%
2006	3.0%	3.0%	4.6%
2007	2.9%	3.0%	4.6%

Source: Virginia Employment Commission, Local Area Profile

Major Employers

A list of the major employers in Smithfield emphasizes the prominence of the meat packing industry in the local economy. Of the five top employers in Town, four are manufactures of meat products. The top eight Smithfield employers ranked according to the total people employed are:

Table IV-6
MAJOR EMPLOYERS
Town of Smithfield

	Firm	Product/Service	# of Employees
1.	Smithfield Packing (a)	Meat Packing	2,500
2.	Gwaltney Foods of Smithfield (a)	Meat Packing	2,400
3.	Farm Fresh	Retail Grocery	105
4.	Smithfield Station	Marina/Restaurant/Hotel	56
5.	Smithfield Medical	Medical Office	55
6.	Town of Smithfield	Government	50
7.	Bloom	Retail Grocery	50

(a) Owned by Smithfield Foods, Inc.

Smithfield's meat packing plants have traditionally drawn much of their labor from the Town and the adjoining counties. It is estimated that approximately 15 to 20 percent of the processing and packaging plants' employees work in white-collar, clerical or administrative positions; the balance of the employees work in direct production posts. Turnover among these positions is relatively high, and as a result, the plants must continually compete with the shipyards and other manufacturing centers in nearby Newport News, Hampton and Norfolk for labor.

Table IV-7
MAJOR EMPLOYERS
Isle of Wight County

1. Gwaltney of Smithfield
2. International Paper Company
3. Isle of Wight County School Board
4. County of Isle of Wight
5. Food Lion
6. Cost Plus Inc.
7. Smithfield Foods
8. Riverside Regional Medical Center
9. Farm Fresh
10. Alphastaff Inc.
11. Isle of Wight Academy
12. Peninsula Metropolitan YMCA
13. Virginia Department of Health
14. Atc Panels, Inc.
15. Franklin Equipment Company
16. Richmond Cold Storage Inc.
17. Farmer's Bank
18. Postal Service
19. Smithfield Station
20. Zuni Presbyterian Center
21. Town of Smithfield
22. McDonald's
23. Smithfield Packing Transportation
24. H. & B. Railroad Construction
25. East West Partners of VA Inc.
26. Magnum Enterprises Inc.
27. Dominion Management Group Inc.
28. Gwaltney Transportation
29. Dairy Queen
30. Department of Social Services, Isle of Wight
31. Manhattan Janitorial Service
32. Home Sweet Home Care Inc.
33. Community Electric Co=operative
34. Carrolls Foods
35. Commercial Ready Mix Products
36. Annas Ristorante Inc.
37. C.W. Cowling
38. Cypress Creek Golfers Club
39. Smithfield Gardens
40. Smithfield Inn Corporation
41. Surprising Pizza Inc.
42. Hardee's
43. Southern Structural Steel Inc.
44. Delmarva Bojos LCC
45. Home Care Providers
46. Poquoson Motors, Inc.
47. Comprehensive Compensation Man
48. Farmers' Service Company
49. The Oaks Veterinary Clinic

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 2nd Quarter (April, May, June) 2008

Commuting

A significant amount of commuting into and out of the Town occurs on a typical weekday. Past land use decisions in the Town dictate many of these commuting trips. A great many of the employees in Smithfield's manufacturing plants cannot afford to purchase homes or rent dwellings in the Town boundary. Thus, they commute into Town from outside the Town boundary, often from significant distances. The underlying home prices dictate that many of those living in Smithfield must commute out of the Town to their places of employment. Little specific commuting data is available for the Town. However, the 2000 Census summarizes commuting patterns in Isle of Wight County as follows:

Table IV-8
Top 10 Places Residents are Commuting To
Isle of Wight County

Area	Workers
Newport News, VA	2,544
Suffolk, VA	1,284
Hampton, VA	1,160
Portsmouth, VA	787
Norfolk, VA	674
Chesapeake, VA	526
Franklin, VA	350
Surry County, VA	289
Virginia Beach, VA	281
Southampton County, VA	153

Source: 2000 Census

Table IV-9
Top 10 Places Residents are Commuting From
Isle of Wight County

Area	**Workers**
Suffolk, VA	1,615
Southampton County, VA	1,151
Franklin, VA	636
Portsmouth, VA	462
Surry County, VA	415
Newport News, VA	394
Hampton, VA	358
Chesapeake, VA	294
Hertford County, NC	224
Gates County, NC	223

Source: 2000 Census

Retail Sales

Retail spending, which is subject to the Virginia sales and use tax is reported monthly by all State jurisdictions to the Virginia Department of Taxation. These sales include hotel/motel receipts and all retail sales (except sales of certain motor vehicle fuels, motor vehicles and trailers, as well as alcoholic beverage sales by A.B.C. stores). Calculated as such, retail sales serve as a significant contributor to Smithfield's economy and as a significant source of local tax revenue. The Virginia Department of Taxation provides this retail sales data only for cities and counties in the Commonwealth. Therefore, taxable sales data is unavailable at the Town level. Figures are provided for Isle of Wight County, inclusive of Smithfield. Past Comprehensive Plans have estimated Smithfield's share of Isle of Wight County's retail trade at approximately 68 percent. In the absence of better available data, the current Plan will assume that this share is still roughly accurate. In order to provide a comprehensive snapshot of the current local retail marketplace and a better understanding of past trends in this important sector, a detailed analysis of retail sales is presented in the following section. Much of this analysis is based on the data exhibited within the series of tables included in this section. These tables provide the following information:

Table IV-10 provides a summary of the latest retail sales made available by the Commonwealth Department of Taxation for Isle of Wight County. Retailers in Isle of Wight County totaled $15,728 per household in 2007. Statewide, retailers in the Commonwealth totaled $30,314 per household.

Isle of Wight County is particularly strong in food and beverage sales, general merchandise sales, and building material and garden equipment sales. Table IV-11 compare the constant dollar changes in total retail sales and per capita retail sales, respectively for each of the major store groupings since the last Comprehensive Plan was adopted. As is reflected in the table, the County has experienced a strong growth in total retail sales since 1996. Dramatic increases in apparel sales have been witnessed during this time period. At the same time, sales have dropped significantly in machinery, equipment and supplies, as well as in automotive retailers.

A comparison of per capita retail sales figures across all retail categories to regional and State totals are included in Tables IV-12, IV-13 and IV-14.

The importance of retail sales volumes lies in the fact that they serve as a valuable indicator of the relative strength of a local economy, in addition to generating a significant share of the Town's tax revenues received from the State. A brief comparison of the County's sales figures to those of other localities within the Commonwealth point to the relative weakness in the local retail economy. As is reflected in Table IV -10, the County's $5,980 per capita sales falls far below the State average of $11.935. This relatively poor performance in per capita retail sales indicates that the County and the Town show large potential for capturing a greater percentage of regional retail sales dollars and the accompanying tax revenue. As was the case in 1996 as part of the base economic data compiled for the Comp. Plan Update of 1998, analysis of the most recent County Taxable Sales figures provides statistical support that the County's sales revenues are highly dependent on food sales and other basic staple goods and services.

The County exhibits a marked disadvantage in a number of retail sectors relative to its more urban neighbors within the region of influence. The most glaring weaknesses in the local retail economy are in the apparel, general merchandise, furniture, home furnishing and equipment and restaurant sectors, as exhibited in "market leakage" calculated for the local retail environment. Market leakage represents the per capita share of retail sales in each sales category that are "escaping" the primary marketplace and are being captured elsewhere within the region of influence or the Commonwealth. . This trend echoes the sentiment expressed by respondents to the Town's recent Citizen Survey (see the Appendix for a detailed summary of the survey responses). Both the region of trade and the Commonwealth retail figures support the notion that Town and County residents prefer to travel to neighboring communities in order to take advantage of larger shopping malls, more competitive prices and a wider variety of goods and services. Smithfield's existing shopping opportunities center mostly around neighborhood and community level commercial centers and stores. The majority of this commercial development is located primarily along the Route 10 commercial corridor and in the small shops lining Main Street in the Downtown area. Currently, no retail shopping centers are sufficiently large to support or attract, a high-quality, full-line anchor department store(s) that would help to strengthen the area's performance in the retail categories mentioned above. In essence, the critical population mass required to support regional-level shopping facilities does not exist within the Smithfield region's primary market area.

Historically, Smithfield area residents generally travel either to one of the more urban localities within the region of influence or to points beyond to obtain these types of shopping goods. Shopping malls such as Chesapeake Square capture a great deal of local spending dollars, particularly in the apparel and specialty goods sectors. Other regional shopping centers within the region of trade, including the shopping areas along Mercury Boulevard in nearby Newport News capture a large share of the local demand for general merchandise and furniture. With its wide variety of outlet and specialty stores, Williamsburg also captures a sizable portion of local retail spending, particularly within the specialty goods, gift and apparel sectors. While Smithfield will continue to grow as a regional trade center, it remains limited by the relative accessibility of these larger and more diverse regional shopping centers. Eventually, population growth in the Smithfield area will provide sufficient incentive to attract larger and more diverse retail complexes to locate in or around the Town. Thus, increased competition with the other localities within the region of trade for retail spending will eventually occur. This emerging trend should be considered in future land use decision-making as sites suitable for quality commercial shopping centers will be held in high demand. Until population growth in Smithfield provides this required incentive, however, future retail growth in Smithfield may have to rely entirely upon incremental growth in its present base of community level and neighborhood-level retail trade, as well as in the growth of specialty goods (tourism-oriented) sales.

A simple exercise allows one to view changes in Smithfield's retail spending over time. By comparing the County's retail sales in 2007 to those seen during the time of the last Comprehensive Plan Update, one can get an idea of how the regional economy is changing. As reflected in Table IV-11, the decade of the 2000's has brought prosperity to the local economy in terms of gross retail growth. Total retail sales in the County are up by more than $64,000,000 since 1996. This growth is important because it shows that there is a positive outlook for the local retail economy as evidenced by the large number of new merchants entering the marketplace.

In order to account for inflation over the six year period, one can use the Consumer Price Index (CPI), to compare sales from each year in constant dollars (see Tables IV-11 and IV-13). The CPI tracks average prices for a mixed bag of goods across the nation in an attempt to gauge price fluctuations. This index is the most commonly accepted means of measuring inflation over time. Using the CPI figures for 1996 (156.9) and 2007 (207.342), one can determine that the adjustment for inflation between 1996 and 2007 is 1.32. Using this adjustment rate, one can calculate the value of 1996 retail sales in terms of 2007 constant dollars, thereby allowing a fair comparison between sales performances in each year (see Tables IV -11 and IV-13 on the preceding pages).

Once the total sales figures are put into comparable dollar terms, one can then calculate the real sales growth rate of the retail economy since the last Comprehensive Plan Update. Retail sales, expressed in constant dollars, have increased significantly (by 11.5%) in Isle of Wight County during the nineties as is reflected in Table IV-11. However, in terms of sales per capita, the County has actually witnessed a slight decrease since the last Plan was adopted.

Further, Isle of Wight is trailing its competitors within the region of influence, however, as indicated by data provided in Table IV-13.

Despite the relative lack of diversity in the local retail economy, Smithfield and Isle of Wight County have maintained their limited share of the regional market since the last Comprehensive Plan was adopted. As is reflected in Table IV-11, Isle of Wight County captured 5% of the total retail sales volume in the region of influence in 2007, just as it did in 1996. Although Isle of Wight County and Smithfield have but a fraction of the population that its urban neighbors maintain (less than 3% of the total region of influence), they compete with these larger localities for the retail spending of Town and regional residents. Per capita sales figures indicate that Isle of Wight County and the Town of Smithfield have tremendous potential to capture additional retail sales within the region of influence, particularly as the area continues to grow.

The Town cannot successfully compete for the escaping retail spending with its existing retail assets; however, new retail establishments and shopping centers catering to the local shopper's demand for increased variety and competitive pricing will be needed to capture an increased percentage of this demand. As a part of the Future Land Use Plan, suitable commercial sites will be identified and proactively marketed for such uses.